

**CITY OF DANVILLE**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2019 THROUGH JUNE 30, 2020**

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**City of Danville**

**Officials**

**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Strause	Mayor	Dec 2019
Mark Fedler	Council Member	Dec 2021
Stefanee Leis	Council Member	Dec 2021
Duane Worthy	Council Member	Dec 2019
Dustin Furnald	Council Member	Dec 2019
LeRoy Lippert	Council Member	Dec 2019
Sue Rogers	City Clerk	Indefinite
Cray Law Firm	Attorney	Indefinite

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Strause	Mayor	Dec 2021
Mark Fedler	Council Member	Dec 2021
Stefanee Leis	Council Member	Dec 2021
Aaron Sperry	Council Member	Dec 2023
Dustin Furnald	Council Member	Dec 2023
Joe Huff	Council Member	Dec 2023
Sue Rogers	City Clerk	Indefinite
Cray Law Firm	Attorney	Indefinite

# **TED M. WIEGAND, CPA**

606 East Madison Street  
Mount Pleasant, Iowa 52641

## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

I performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Danville for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Danville's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2019 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. I scanned debt, including general obligation bonds and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. I traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. I traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I traced transfers between funds to proper authorization and accurate accounting and determined whether proper.
15. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether the selected payroll transactions were proper.
16. I observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Danville during the course of my agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

TED M. WIEGAND, CPA

March 4, 2021

City of Danville

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording. There is no independent review of the bank reconciliations.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. An independent person should review the Clerk's monthly bank reconciliations. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were reconciled through February 2020, but with unidentified variances each month. I attempted to perform reconciliations for the months of April, May, and June 2020 with unexplained variances of \$1,061, \$550, and \$299, respectively.

Recommendation – The Clerk should attempt completing reconciliations of past months as was done through February 2020 and keep documentation of the results. The Clerk should attempt to find the cause of the unknown variances. Outstanding balance reports and/or aging schedules at the beginning/end of each month should be printed since they cannot be accessed retroactively.

- (C) Writing and Holding Checks – I noted a few instances where the City appears to have written and held checks. This practice results in expenditures being recorded when the check was written although the actual payment was not made, by the check being mailed or issued, until a later accounting period.

City of Danville

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

<u>Check no.</u>	<u>Payee</u>	<u>Amount</u>	<u>Date written</u>	<u>Date cleared</u>
26552	Fletcher-Reinhardt Co.	\$15,282.81	06/28/19	10/11/19
26553	Fletcher-Reinhardt Co.	1,295.29	06/28/19	09/09/19
26574	Treasurer-State of Iowa	322.00	07/03/19	10/07/19
26590	Treasurer-State of Iowa	332.00	07/17/19	10/07/19
26631	Treasurer-State of Iowa	321.00	07/31/19	10/07/19
27447	Brozene Hydraulic Svc	3,632.40	06/30/20	02/03/21
27262	Treasurer-State of Iowa	324.00	04/08/20	07/15/20
27295	Treasurer-State of Iowa	336.00	04/22/20	07/15/20
27323	Treasurer-State of Iowa	321.00	05/06/20	07/15/20
27332	Treasurer-State of Iowa	333.00	05/20/20	07/15/20
27381	Treasurer-State of Iowa	341.00	06/03/20	07/15/20
27403	Treasurer-State of Iowa	326.00	06/17/20	07/15/20

Recommendation – Governmental entities should not write checks and hold them for some time before mailing/issuing them. The City should end this practice, only writing/preparing checks when the checks are ready to be mailed/issued.